

Message Text

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PAGE 01 STATE 250243

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ORIGIN PM-03

INFO OCT-01 ISO-00 AF-04 ARA-06 EA-06 EUR-12 NEA-06 RSC-01

AID-05 CIAE-00 DODE-00 H-01 INR-05 L-02 NSAE-00

NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 EB-04 CIEP-01

TRSE-00 OMB-01 CEA-01 LAB-01 FRB-01 /091 R

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R 132054Z NOV 74

FM SECSTATE WASHDC

TO ALL DIPLOMATIC POSTS

C O N F I D E N T I A L STATE 250243

E.O. 11652:GDS

TAGS: MASS, XX

SUBJECT: OVERSEAS CO-PRODUCTION OF DEFENSE ARTICLES.

1. THIS MESSAGE PROVIDES INFORMATION ON CURRENT USG PROCEDURES GOVERNING APPROVAL OF CO-PRODUCTION AGREEMENTS THAT INVOLVE OVERSEAS ASSEMBLY OR PRODUCTION OF DEFENSE ARTICLES. THIS IS FOR ADDRESSEES' BACKGROUND INFORMATION ONLY AND MAY BE SHARED WITH HOST GOVERNMENTS ONLY ON SPECIFIC DEPARTMENT INSTRUCTIONS. IT IS REALIZED THAT IN SOME INSTANCES CO-PRODUCTION AGREEMENTS BETWEEN HOST GOVERNMENTS AND USG ARE ONLY A REMOTE FUTURE POSSIBILITY; HOWEVER, CURRENT EXPERIENCE INDICATES INCREASING INTEREST IN SUCH ARRANGEMENTS AMONG MANY DEVELOPING AS WELL AS INDUSTRIALLY ADVANCED COUNTRIES. ACCORDINGLY, THIS MESSAGE IS BEING SENT TO ALL DIPLOMATIC POSTS.

2. FOLLOWING SENIOR-LEVEL INTERDEPARTMENTAL DISCUSSIONS, UNDER SECRETARY FOR SECURITY ASSISTANCE ISSUED INTERAGENCY
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PAGE 02 STATE 250243

"CO-PRODUCTION GUIDELINES" ON SEPTEMBER 6, 1973. THESE

GUIDELINES REMAIN IN FORCE AND PROVIDE A BASIS FOR USG
CONSIDERATION OF PROPOSALS FOR OVERSEAS PRODUCTION OF DE-
FENSE ARTICLES WHICH INVOLVE SOME ELEMENT OF USG FUNDING
AND/OR WHICH ARE CONCLUDED UNDER THE FOREIGN MILITARY SALES
ACT (FMSA). THE GUIDELINES ARE IN ADDITION TO, NOT IN LIEU
OF, OTHER APPLICABLE LAWS AND REGULATIONS. AMONG THE LATTER

IS SECTION 42 OF FMSA, WHICH PLACES SPECIAL EMPHASIS ON
PROCUREMENT WITHIN US, AND AUTHORIZES OVERSEAS CO-PRODUC-
TION ONLY WHEN QUOTE IT BEST SERVES FOREIGN POLICY, NA-
TIONAL SECURITY, AND ECONOMY OF THE UNITED STATES. UNQUOTE.
SECTION 42(B) MAKES PROVISION OF USG CREDIT CONTINGENT
UPON A FULL REPORT TO CONGRESS BY THE SECRETARY OF STATE.
THIS IS TO INCLUDE INTER ALIA ASSESSMENT OF PROBABLE IM-
PACT ON EMPLOYMENT AND PRODUCTION IN THE US. SECTION 42
(C) IMPOSES ADDITIONAL APPROVAL CRITERIA. THE GUIDELINES
THUS REQUIRE CONSIDERATION OF EACH PROPOSAL IN CONTEXT OF
GENERAL USG POLICY AS WELL AS SPECIFIC MILITARY, ECONOMIC,
FINANCIAL, COMMERCIAL, AND POLITICAL IMPLICATIONS. PROCE-
DURALLY, UPON THE DEPARTMENT'S RECEIPT OF A FORMAL PRO-
POSAL, PM BUREAU REFERS CASE TO DOD, OMB, NSC, AND TREASURY.
WITHIN STATE, EB BUREAU CONCURRENTLY ASSESSES ECONOMIC,
FINANCIAL, AND COMMERCIAL ISSUES IN CONSULTATION WITH DE-
PARTMENTS OF COMMERCE, LABOR, AND OTHER CONCERNED AGENCIES.
GEOGRAPHIC BUREAUS AND L PROVIDE FURTHER REVIEW. PM THEN
ATTEMPTS TO RESOLVE ANY INTERAGENCY DIFFERENCES AND PRE-
PARES A REPORT FOR SECURITY ASSISTANCE PROGRAM REVIEW COM-
MITTEE (SAPRC) CONSIDERATION. IF THE CASE IS APPROVED AND
INVOLVES CREDIT, PM PREPARES NOTIFICATION TO CONGRESS.

3. (STRICTLY FOR ADDRESSEES' BACKGROUND INFORMATION ONLY).
INTERDEPARTMENTAL INTEREST IN ADHERING TO PROCEDURES SET
FORTH IN CO-PRODUCTION GUIDELINES RECENTLY HAS INCREASED
AS RESULT OF SEVERAL REQUESTS FOR EXCEPTIONALLY SIGNIF-
ICANT CO-PRODUCTION PROJECTS FROM SHAH OF IRAN AND DUE TO
GENERAL CONCERN OVER THE TRANSFER OF TECHNOLOGY, AND THE
POTENTIAL IMPACT OF CO-PRODUCTION IN TERMS OF THE DOMESTIC
US ECONOMIC SITUATION. IN VIEW OF THE GROWING IMPORTANCE
OF CO-PRODUCTION IN US FOREIGN ECONOMIC AND POLITICAL RE-
LATIONS, THE GUIDELINES PROCEDURES ARE BEING STREAMLINED;
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PAGE 03 STATE 250243

THIS MEANS THAT PROPOSALS WILL RECEIVE MORE CAREFUL, AS
WELL AS PROMPT, SCRUTINY TO INSURE MEDIUM AND LONG-TERM
IMPACTS ON THE US ECONOMY AND BALANCE OF PAYMENTS SITUATION
ARE WEIGHED AS CAREFULLY AS POLITICAL AND MILITARY CONSID-
ERATIONS.

4. THE DEPARTMENT IS POUCHING A COPY OF THE SEPTEMBER 6,
1973 CO-PRODUCTION GUIDELINES UNDER COVER OF AN AIRGRAM.

POST COMMENTS ARE ENCOURAGED AND WILL FACILITATE WASHINGTON ANALYSES OF THIS ISSUE IN THE GLOBAL CONTEXT. KISSINGER

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INSTRUCTIONS, ARMS PRODUCTION, MILITARY AGREEMENTS, MILITARY CREDIT
Control Number: n/a
Copy: SINGLE
Draft Date: 13 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE250243
Document Source: CORE
Document Unique ID: 00
Drafter: DWMCLINTOCK/RS
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740328-0607
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741146/aaaabmwf.tel
Line Count: 117
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN PM
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 25 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 SEP 2002 by boyleja>; APPROVED <11 MAR 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OVERSEAS CO-PRODUCTION OF DEFENSE ARTICLES.
TAGS: MASS, XX, US
To: ALL POSTS
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005